

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
(D/B/A NORTHWEST IOWA YOUTH EMERGENCY SERVICES CENTER)

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013 AND 2012

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NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ken Chalstrom	Chairperson	Clay County
Don Kass	Vice-Chairperson	Plymouth County
Jon Martyr	Member	Emmet County
Joe Cronin	Member	Ida County
Ranell Drake	Member	Sac County
Kirk Peters	Member	Lyon County
Denny Wright	Member	Sioux County
Louis Stauter	Member	Pocahontas County
Mardi Allen	Member	Dickinson County
Eugene Meiners	Member	Carroll County
Nancy McDowell	Member	O'Brien County
Jerry Buller	Member	Crawford County
Ken Hach	Member	Buena Vista County
Dennis Bush	Member	Cherokee County
Cheryl McGrory	Director	
Karla Lundy	Assistant Director	

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Board of Directors of the Northwest Iowa
Multicounty Regional Juvenile Detention Center:

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Iowa Multicounty Regional Juvenile Detention Center as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Multicounty Regional Juvenile Detention Center as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration of Northwest Iowa Multicounty Regional Juvenile Detention Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Hunzelman, Putzier & Co., PLLC

March 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Multicounty Regional Juvenile Detention Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider this information in conjunction with the Center's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

The Center's operating revenues increased 4.67%, or \$41,308, from fiscal 2012 to fiscal 2013.

The Center's operating expenses were 4.26%, or \$40,163, more in fiscal 2013 than in fiscal 2012.

The Center's net position decreased 22.38%, or \$57,198, from June 30, 2012, to June 30, 2013.

USING THIS ANNUAL REPORT

Northwest Iowa Multicounty Regional Juvenile Detention Center is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Multicounty Regional Juvenile Detention Center's financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Center's financial activities.

The Statement of Net Position presents information on the Center's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information on the Center's operating revenues and expenses, non-operating revenues and expenses, and whether the Center's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Center's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Center financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE CENTER

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Center's financial position. The Center's net position for fiscal 2013 totaled approximately \$198,300. This compares to approximately \$255,500 for fiscal 2012. A summary of the Center's net position is presented below.

	<u>Net Position</u>	
	<u>Year Ended June 30,</u> <u>2013</u>	<u>2012</u>
Current assets	\$ 273,340	\$ 302,869
Property and equipment, less accumulated depreciation	<u>19,091</u>	<u>17,731</u>
Total assets	292,431	320,600
Current liabilities	<u>94,083</u>	<u>65,054</u>
Net position:		
Invested in capital assets	19,091	17,731
Unrestricted	<u>179,257</u>	<u>237,815</u>
Total net position	<u>\$ 198,348</u>	<u>\$ 255,546</u>

The invested in capital assets (10%, e.g., buildings and equipment) are resources allocated to capital assets. The remaining net position (90%) is the unrestricted net position that can be used to meet the Center's obligations as they come due.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

Operating revenues are received for services provided for juveniles who await court disposition. The Center provides a physically secure, emotionally stable, and safe environment for these individuals until final court ruling. Operating expenses are expenses paid to operate the Center. Non-operating revenues are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012, is presented below:

	<u>Statements of Revenues, Expenses, and Changes in Net Position</u>	
	<u>Year Ended June 30,</u> <u>2013</u>	<u>2012</u>
<u>OPERATING REVENUES</u>		
Detention care fees	\$ 379,166	\$ 311,966
State allocation	146,428	189,265
State programs - tracker	370,000	360,000
State programs - other	10,262	8,971
Other operating revenues	<u>19,928</u>	<u>14,274</u>
Total operating revenues	925,784	884,476
<u>OPERATING EXPENSES</u>		
Salaries and benefits	837,764	798,932
Meals and food	20,136	18,172
Insurance	26,159	33,169
Travel	36,341	37,217
Other	<u>62,730</u>	<u>55,477</u>
Total operating expenses	<u>983,130</u>	<u>942,967</u>
Operating loss	<u>(57,346)</u>	<u>(58,491)</u>

FINANCIAL ANALYSIS OF THE CENTER - (Continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position - (Continued)

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<u>NONOPERATING REVENUES</u>		
Interest on investments	\$ 148	\$ 372
Changes in net position	(57,198)	(58,119)
Net position beginning of year	<u>255,546</u>	<u>313,665</u>
Net position end of year	<u>\$ 198,348</u>	<u>\$ 255,546</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects a deteriorating financial position with a decrease in the net position at the end of the fiscal year.

In fiscal 2013, operating revenues increased by \$41,308, 4.67%, primarily as a result of a \$67,200 increase in detention fees despite a \$42,837 decrease in the Center's State allocation.

Operating expenses increased by \$40,163, or 4.26%. This increase was due mainly to an increase in salaries and benefits during the year.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, capital and related financing, non-capital financing, and investing activities. Cash used by operating activities includes County fees and the State allocation reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets. Cash provided by non-capital financing activities includes note proceeds. Cash provided by investing activities includes interest income.

SHORT-TERM DEBT

At June 30, 2013, the Center had \$25,000 outstanding from line of credit borrowings. Additional information about the Center's short-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

Northwest Iowa Multicounty Regional Juvenile Detention Center's financial position deteriorated during the current fiscal year. The current condition of the economy in the state continues to be a concern for Center officials. Some of the realities that may potentially become challenges for the Center to meet are:

Facilities at the Center require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.

Insurance costs, and wages and salaries continue to rise while the per diem rate remains constant and bed days have lowered.

ECONOMIC FACTORS – (Continued)

One juvenile detention center in Iowa has become a competitive facility which has placed an undue burden upon the Center, as the competing facility has cut per diem rates in an effort to undercut the Center's operations and begin a price war.

The Center anticipates the current fiscal year will continue to show a decrease in receipts collected due to a decrease in the number of juveniles immured within the Center. It is anticipated that the State reimbursement will decrease this year due to changes within the legislature. There will continue to be an increase in expenditures for the Center due to tracking and monitoring program disbursements that went into effect July 1, 2005, with salaries and expenditures paid for tracking, monitoring, and outreach services for juveniles increasing yearly.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If there are questions about this report or additional financial information is needed, contact Northwest Iowa Multicounty Regional Juvenile Detention Center, 1231 W. Cedar Loop, Suite #110, Cherokee, Iowa.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER

STATEMENTS OF NET POSITION

Exhibit A

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 33,254	\$ 94,095
Due from other governments	217,715	193,248
Prepaid insurance	22,371	15,526
Total current assets	<u>273,340</u>	<u>302,869</u>
 <u>PROPERTY AND EQUIPMENT</u>		
Property and equipment, net of accumulated depreciation of \$140,776 and \$135,642 in 2013 and 2012	<u>19,091</u>	<u>17,731</u>
Total assets	<u>292,431</u>	<u>320,600</u>
 <u>CURRENT LIABILITIES</u>		
Accounts payable	9,102	9,752
Salaries and benefits payable	17,948	16,039
Payroll taxes payable	9,719	10,916
Compensated absences	32,263	28,347
Accrued interest	51	-
Notes payable	25,000	-
Total current liabilities	<u>94,083</u>	<u>65,054</u>
 <u>NET POSITION</u>		
Invested in capital assets	19,091	17,731
Unrestricted	<u>179,257</u>	<u>237,815</u>
Total net position	<u>\$ 198,348</u>	<u>\$ 255,546</u>

See notes to financial statements.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

Exhibit B

	<u>2013</u>	<u>2012</u>
<u>OPERATING REVENUES</u>		
Detention care fees	\$ 379,166	\$ 311,966
State allocation	146,428	189,265
State programs- tracker	370,000	360,000
State programs	10,262	8,971
Transportation revenues	19,706	14,186
Other operating revenues	222	88
Total operating revenues	<u>925,784</u>	<u>884,476</u>
<u>OPERATING EXPENSES</u>		
Salaries	629,544	606,108
Payroll taxes	105,661	106,250
Health insurance and benefits	102,559	86,574
Meals and food	20,136	18,172
Treatment and health supplies	3,204	3,768
Clothing	1,583	1,934
Travel	36,341	37,217
Training	278	215
Office supplies	6,864	6,289
Postage	676	987
Telephone and internet	10,430	10,670
Utilities	10,602	8,835
Insurance	26,159	33,169
Transportation expenses	8,039	2,432
Audit fees	4,100	3,600
Accounting services	3,600	3,900
Miscellaneous	5,191	5,113
Repairs and maintenance	2,927	3,441
Depreciation	5,134	4,293
Interest	102	-
Total operating expenses	<u>983,130</u>	<u>942,967</u>
Operating loss	(57,346)	(58,491)
<u>NONOPERATING REVENUES</u>		
Interest on investments	<u>148</u>	<u>372</u>
Changes in net position	(57,198)	(58,119)
Net position beginning of year	<u>255,546</u>	<u>313,665</u>
Net position end of year	<u>\$ 198,348</u>	<u>\$ 255,546</u>

See notes to financial statements.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

Exhibit C

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from members/others	\$ 347,432	\$ 334,832
Cash received from State	553,886	547,079
Cash payments to employees for services and benefits	(726,279)	(691,643)
Cash payments to suppliers for goods and services	<u>(254,534)</u>	<u>(224,317)</u>
Net cash used in operating activities	<u>(79,495)</u>	<u>(34,049)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition of capital assets	<u>(6,494)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(6,494)</u>	<u>-</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Note proceeds	<u>25,000</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>25,000</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest on investments	<u>148</u>	<u>372</u>
Net cash provided by investing activities	<u>148</u>	<u>372</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(60,841)</u>	<u>(33,677)</u>
Cash and cash equivalents at beginning of year	<u>94,095</u>	<u>127,772</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 33,254</u>	<u>\$ 94,095</u>
<u>RECONCILIATION OF OPERATING LOSS TO</u> <u>NET CASH USED IN OPERATING ACTIVITIES:</u>		
Operating loss	<u>\$ (57,346)</u>	<u>\$ (58,491)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	5,134	4,293
Changes in assets and liabilities:		
Increase in due from other governments	(24,467)	(2,565)
Decrease (increase) in prepaid insurance	(6,845)	16,428
Increase (decrease) in accounts payable	(650)	2,467
Increase in salaries and benefits payable	1,909	4,200
Increase (decrease) in payroll taxes payable	(1,197)	2,780
Increase (decrease) in compensated absences	3,916	(3,161)
Increase in accrued interest payable	51	-
Total adjustments	<u>(22,149)</u>	<u>24,442</u>
Net cash used in operating activities	<u>\$ (79,495)</u>	<u>\$ (34,049)</u>

See notes to financial statements.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. Summary of Significant Accounting Policies

Northwest Iowa Multicounty Regional Juvenile Detention Center (d/b/a Northwest Iowa Youth Emergency Services Center) was formed in 1989 by eleven northwest Iowa member counties pursuant to the provisions of Chapter 28E of the Code of Iowa. Three additional counties subsequently joined the organization. The Center provides detention and shelter care of juveniles.

Northwest Iowa Multicounty Regional Juvenile Detention Center is governed by a Board comprised of one representative from each of the following member counties: Cherokee, Plymouth, Ida, Buena Vista, Carroll, O'Brien, Sioux, Lyon, Pocahontas, Sac, Dickinson, Clay, Emmet, and Crawford.

The Center's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Northwest Iowa Multicounty Regional Juvenile Detention Center has included all funds. The Center has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Center are such that exclusion would cause the Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Center. Northwest Iowa Multicounty Regional Juvenile Detention Center has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of Northwest Iowa Multicounty Regional Juvenile Detention Center are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Center distinguishes operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Center's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. Summary of Significant Accounting Policies - (Continued)

D. Assets and Liabilities

The following accounting policies are followed in preparing the Statements of Net Position:

Cash and Cash Equivalents - The Center considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over fifteen years and equipment is depreciated over a five to ten year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Compensated Absences - Center employees accumulate a limited amount of earned but unused vacation and compensatory time off hours for subsequent use or for payment upon termination, death, or retirement. The Center's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2013 and 2012.

2. Cash and Cash Equivalents

The Center's deposits in banks at June 30, 2013 and 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Center is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Center; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Center had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The Center's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Center.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. Notes Payable

Activity in the loan for the year ended June 30, 2013, is summarized below:

	Balance Beginning of Year	Issued	Paid	Balance End of Year	Interest Paid
Iowa State Bank Loan	\$ -	\$ 40,000	\$ 15,000	\$ 25,000	\$ 51

The Center entered into a short-term operating loan agreement in June 2013 to help fund operations. The note agreement terminates on October 1, 2014 and bears interest at 8.15%.

4. Pension and Retirement Benefits

The Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Center is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Center's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$55,158, \$49,663, and \$46,059, respectively, equal to the required contributions for each year.

5. Capital Assets

A summary of capital assets and accumulated depreciation for the years ended June 30, 2013 and 2012, is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Leasehold improvements	\$ 102,484	\$ -	\$ -	\$ 102,484
Equipment	50,889	6,494	-	57,383
	153,373	\$ 6,494	\$ -	159,867
Less amortization and depreciation	135,642	\$ 5,134	\$ -	140,776
Total	\$ 17,731			\$ 19,091

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

6. Operating Lease

The Center leased a copy machine. Rental expense incurred for this lease was \$400 for the year ended June 30, 2013. This lease was complete during the year ended June 30, 2013.

7. Rent Obligations

The Center occupies a portion of a building leased from the Iowa Department of Human Services in Cherokee, Iowa. The lease cost is \$1 per year plus a portion of the utilities and telephone. The terms are subject to renegotiation annually.

8. Related Party Transactions

Total charges for services during the years ended June 30, 2013 and 2012, were \$379,166 and \$311,966, respectively. The member counties were billed \$150 per diem for juvenile detention services provided. Non-member counties were billed \$175 per diem for juvenile detention services provided.

9. Risk Management

The Center is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Center's property and casualty contributions to the risk pool are recorded as expenditures from its operating fund at the time of payment to the risk pool. The Center's contributions to the Pool for the year ended June 30, 2013 were \$11,591.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

9. Risk Management – (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Center does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the Center's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Center also carries commercial insurance purchased from other insurers for coverage primarily associated with workers compensation. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Other Postemployment Benefits (OPEB)

Plan Description – The Center operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 12 active members and no retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees which results in an implicit subsidy and an OPEB liability. Management has determined, however, that any OPEB liability would be immaterial with respect to the financial statements and no liability has been recorded.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Center. The Center currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Center were \$551 for single coverage and \$1,690 for family coverage. The same monthly premium applies to retirees. For the year ended June 30, 2013, the Center contributed \$86,232 and plan members eligible for benefits contributed \$5,977 to the plan.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

11. Employee Health Insurance

The Center has established an account for the partial self funding of the Center's health insurance plan. The plan is funded by the Center and is administered through a service agreement with Employee Benefit Systems. The agreement is subject to annual renewal provisions. The Center assumes liability for claims up to the deductible amounts of \$2,000/\$4,000 per single/family plan with a maximum out of pocket expense of \$4,000/\$8,000 per single/family plan. The deductible and maximum out of pocket expense for the Center are reduced by the deductible amount paid by the employee of \$500/\$1,000 per single/family plan and employee maximum out of pocket expense of \$1,000/\$2,000 per single/family plan. Claims in excess of deductibles are covered through a plan with Wellmark.

12. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

To the Members of Northwest Iowa
Multicounty Regional Juvenile Detention Center:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Northwest Iowa Multicounty Regional Juvenile Detention Center as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the Center's internal control described in the accompanying Schedule of Findings as items (A), (B), (C), and (D) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Northwest Iowa Multicounty Regional Juvenile Detention Center's Responses to Findings

The Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hummelman, Putzies & Co., PLL

March 24, 2014

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The mail should be opened by someone who does not have access to the accounting records. A list of all checks received should be prepared and this list should then be agreed to amounts posted to the accounting records.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Center should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center does concede that segregation of duties is difficult with the limited number of employees and qualified staff to segregate duties. The Center continues to review its policies and procedures in regards to segregation of duties. We continue to assess this situation and look for ways to improve the segregation of duties within the facility.

Conclusion - Response accepted.

- B. Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for board members to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response - Due to a desire to maintain a segregation of duties within the organization, the Center has engaged the services of an independent bookkeeper since January 2010 qualified to complete the year end reports, payroll and financial statements. This continues to ensure the accuracy and reliability of these reports. Present financial constraints inhibit the ability of management to engage in outside courses but these will be explored when the financial constraints have lifted.

Conclusion - Response accepted.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Findings Related to the Financial Statements: - (Continued)

INTERNAL CONTROL DEFICIENCIES: - (Continued)

- C. Board Approval – We noted several invoices for which Board approval was not indicated.

Recommendation - The Center should ensure that the approval of all invoices is clearly documented in the Board minutes.

Response – The Center does on occasion pay invoices prior to the monthly board meeting to avoid interest/late charges, or bills that need to be paid immediately. The Board has passed an item to approve the Director to pay these invoices prior to the Board meeting with the items to be added to the itemized invoice list for each board meeting.

Conclusion – Response accepted.

- D. Credit Card Documentation- We noted various credit card charges which lacked detailed receipts supporting the charge listed on the credit card statement. Without the detailed receipts, it is difficult to determine whether the charges are for a valid center purpose.

Recommendation – The Center should require a detailed receipt for each charge listed on the credit card statement when submitting the statement for payment. The board should verify that each charge is supported by a detailed receipt that identifies the Center purpose before approving for payment.

Response – The Center has passed a policy which has been distributed to all current employees ordering proper documentation of credit cards for transportation costs. This policy has been implemented and this problem has been alleviated.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

1. Questionable Expenses - No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
2. Travel Expense - No expenditures of money for travel expenses of spouses of Center officials or employees were noted.
3. Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not. However, the minutes are not being published in a timely manner.

Recommendation - The Center should publish the minutes in a timely manner.

Response – The Center has been consistently posting minutes in a timely fashion since this audit and will continue to do so.

Conclusion – Response accepted.

4. Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Center's investment policy were identified.